

Attachment 11

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

DECLARATIONS

TYPE: PACKAGE POLICY

ASSURED: HORIZON OFFSHORE CONTRACTORS, INC. and/or as per Named Assured Clause attached and/or as may be agreed.

ADDRESS: 2500 City West Boulevard, Suite #2200, Houston, Texas 77042

VESSELS: As per Schedules attached.

Including if required new and/or acquired and/or managed and/or chartered vessels, from time at risk to the Assured or declared hereto by the Assured, including increase in values/amounts, automatically held covered, subject to a maximum individual combined vessel value/amount not exceeding top value/sum insured hereon and further subject to terms, conditions and rates as comparable vessels insured or as may be agreed by Underwriters.

Notwithstanding the above, any new vessel with a value in excess of USD20,000,000 attaching hereon to be agreed by Great Lakes Reinsurance (UK) PLC per Munich Re General Services Ltd. for their line only.

PERIOD: May 1, 2002 at 12:01 A.M. to MAY 1, 2003 Local Standard Time and/or date to be agreed by Underwriters.

In respect of Section 3:

Open cover to accept construction and/or installation work as declared (whether directly exposed or not) for which the Assured is responsible and which commences during the period as above including all refurbishment, pre-fabrication, load out, transportation, installation and maintenance and until final completion and operational acceptance by Client and/or Customer and for a further discovery period not exceeding 12 months from such acceptance.

However, in the event the Assured hereon does not renew beyond above dates for coverage under Sections 1, 2 and 3, notice of cancellation is deemed given by Underwriters in respect of all declarations (except for those for which construction is completed in which case maintenance or discovery period up to policy limit but not exceeding 60 days after expiry date) attaching to this section from the expiry of such notice.

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7/14/05

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

INTEREST/SUMS INSURED:

Section 1

- A) Hull, machinery, equipment, appurtenances, gear, stingers, bury gear, cranes, derricks, remotely operated vessels etc., and everything connected therewith whether on board or not on board.
- B) Disbursements and/or Increased Value. Policy Proof of Interest, Full Interest Admitted, Without Benefit of Salvage.
- C) War etc. Risks Insurance including War Risks Protection & Indemnity Clauses (including crew)

Agreed Values/Insured Amounts as per schedules attached.

Section 2

- A) Onshore Real and/or Personal Property
- B) Miscellaneous Marine Equipment

Amounts as agreed at inception as per schedule attached.

Including Equipment and Property at risk to the Assured (whether rented, purchased, leased, hired or operated by the Assured and including property of others in the Care, Custody, Control of the Assured and for which the Assured is responsible) subject to limit of liability of USD 2,000,000 any one item.

Subject to limit of liability USD 10,000,000 any one location per occurrence.

Section 3

Builders Risks (open cover) covering - platforms and/or pipelines and/or risers and/or other marine construction work and/or salvage work including land fabrication and procurement. As may be declared and accepted by Leading Underwriters.

Limit: up to USD 20,000,000 (100% of Estimated Final Contract Value) any one declaration both sections separately, plus amounts as per policy wording any one accident or occurrence.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

TRADING:

Worldwide subject to American Institute Trading Warranties (July 1, 1972) Cl. 210 or held covered at rates to be agreed by Underwriters and War etc. risks world-wide subject to London Market War Risk Trading Warranties including any subsequent amendments thereto during the term of this Policy.

Tows in excess 750 nautical miles or outside of Gulf of Mexico, held covered at rate, terms and conditions to be agreed. Warranted Tug, Tow, Towage and Stowage arrangements approved by agreed surveyor hereunder and all recommendations complied with.

CONDITIONS:

Section 1

- A) Subject to American Institute Hull Clauses (June 2, 1977) Cl.A1B amended to all risks of physical loss or physical damage

Lines 23 and 24 deleted and replaced by:

Should the vessel at the expiration date of the Policy be in distress, she shall, provided previous notice be given to Underwriters hereon, be held covered until arrival at safe port.

Line 63 words from "nor shall the vessel" through to word "waters" on line 64 and lines 158-184 are deleted.

Including Collision and Tower's Liability amended to include collision and/or contact with fixed and floating objects per lines 78-111 of the American Institute Tug Form (August 1, 1976) Cl.A230, with line 79 amended by adding words "or contact" after word "collision" for separate minimum limit of \$1,000,000 each accident or occurrence or hull value whichever the greater.

In respect of Collision Liability arising from vessel's equipment (e.g. floating stingers), it is agreed that such equipment is deemed part of vessel to which it is currently or previously assigned.

Deductibles:

USD 500,000 each accident or occurrence including total loss.
Subject to Annual Aggregate deductible of USD 1,500,000 excluding total loss (Sections 1 & 2), to be reviewed by Leading Underwriters following a change in the fleet schedule hereon.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

In respect of Assured's operations with **CHEVRON USA** deductibles to be shown as a maximum of **\$25,000** subject to Indemnity Clause as attached.

In consideration of the premium charged including cargo risks hereon on miscellaneous property including property separated from vessels, in transit, storage etc. subject to a separate limit of **\$5,000,000** any one accident or occurrence subject to Institute Cargo Clauses (A) 1/1/82 Cl.252, Institute Cargo Clauses (Air) 1/1/82 Cl.259, and Institute Strikes Clauses (Cargo) 1/1/82 Cl.256, with English Law and Practice deleted on all clauses.

Deductible **\$75,000** any one accident or occurrence.

Institute War Clauses (Cargo) 1/1/82 Cl.255 without deductible

- B) Increased Value Amount against Actual and/or Constructive and/or Compromised and/or Arranged Total Loss including General Average, Salvage, Salvage Charges, Sue & Labor and Running Down Clause subject to American Institute Increased Value and Excess Liabilities Clauses (November 3, 1977) Cl.A175 amended as Hull Section hereon and to follow settlement thereof where applicable.

- C) Including American Institute Hull War Risks and Strikes Clauses (December 1, 1977) Cl.A237, American Hull Insurance Syndicate Addendum to American Institute Hull War Risks and Strikes Clauses (December 1, 1977) (April 1, 1984) with waiting period in Clause 3 amended to six (6) months and words "**or deliberate act of person or persons**" added after the word "**operations**" and further amended to include Nationalization **100%** without waiting period and Deprivation in respect of units/locations scheduled at inception, otherwise to be agreed.

Notice Period in respect of war and terrorism amended to 48 hours.

Including Terrorist Risks Wording as LPO 437 (4/82), Old Mines Clause, Blocking and Trapping Risks Conditions as LPO 444.

Subject to Onus of Proof and Confidentiality wording in respect of Confiscation, Nationalization, Expropriation and Deprivation only.

War, Confiscation, Nationalization, Expropriation and Deprivation exposures to be agreed at additional premium to be agreed Leading Underwriters.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

American Institute Strikes Riots and Civil Commotions Endorsement (Hulls) September 8, 1959 CI.A503.

Including War etc. Risks Protection and Indemnity up to hull agreed value or **\$1,000,000 whichever the greater also applicable to vessels covered under Assured's Club entry.**

Missing Vessels Clause.

Section 1 - General Conditions:

Agree in respect of bareboat chartered material barges deductible USD 100,000 excluding Total or Constructive Total Loss for vessels valued less than USD 1,000,000 but USD 250,000 excluding Total or Constructive Total Loss all other vessels. Full annual premium if lost. Rate 2.75% per annum/pro rata (minimum 30 days) plus surcharge of 25% if including Protection and Indemnity as SP 23 (excluding crew and employees of the Assured). Including amendments thereto as required by contract in respect of work for Chevron USA Inc., subject to separate minimum limit USD 1,000,000 each accident or occurrence and deductible USD 100,000 any one accident or occurrence.

Including Removal of Wreck/Debris Clause (including legal and contractual) but always excluding clean up and containment of seeping and polluting substances, for separate limit **\$1,000,000 any one accident or occurrence, deductible **\$100,000** any one accident or occurrence.**

Cancelling Returns Only, notwithstanding Cancelling Returns Only basis, for units projected to be idle for periods greater than 90 days or units undergoing upgrade modification or cold stacked units, liberty is granted to the Assured to declare such risks on port risks/limited navigation basis returning daily pro rata 50% not under repair or daily pro rata 25% if under repair.

Movement of vessels hereon by conventional heavy lift dry cargo vessels are covered without additional premium. Warranted loading, unloading and stowage arrangements agreed by an approved surveyor hereon and warranted all recommendations complied with.

Reactivation Clause.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

GENERAL AVERAGE, SALVAGE AND SUE & LABOUR CLAUSE: It is agreed that the perils under lines 120 - 133 and 144 - 157 American Institute Hull Clauses 6.2.77 are covered up to agreed values as scheduled with such coverage being in addition to that provided for physical damages to vessels scheduled herein, payable in full irrespective of contributory value.

Warranted existing class maintained. However, it is noted that, where and as applicable due to the non-operational status and/or type and/or geographical limits of operation and navigation of a scheduled vessel, a United States Coast Guard Certificate of Inspection or a United States Coast Guard Letter of Compliance or a Load Line Certificate shall satisfy the requirements of any Classification requirement herein. It is further noted that any such Classification requirement shall not apply to any vessels where size and/or type and/or navigational operation do not require inspection and/or load line certification from the appropriate regulatory agency.

Vessels not classed to be advised.

Including Institute Clauses for Builders Risks Clauses 1/6/88 Cl.351 (English Law and Practice clause deleted) in respect of refitting, repair of vessel(s) as applicable, but not to the extent of restricting coverage afforded herein, with option to suspend coverage hereunder for period(s) as may be agreed, subject automatic reattachment upon completion to be agreed, returning pro rata status at inception premium, if above repair work etc. covered elsewhere. No new buildings attaching hereunder or to be agreed Leading Underwriters, excluding latent defect.

Provision to move equipment from vessel to vessel and/or as required.

Assignment and/or Mortgagees and/or Loss Payable Clause, as agreed by Underwriters.

Section 2

- A) Against all risks of direct physical loss or physical damage including fire and extended all risks coverage, to the property from any external cause per wording to be agreed by Underwriters.
- B) Against all risks of direct physical loss or physical damage including fire and extended all risks coverage, to the equipment from any external cause per wording to be agreed by Underwriters.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

The subject matter insured under this section is covered whilst in use or otherwise on land, in air or afloat.

Section 2 – General Conditions

Replacement Cost Basis, New for Old.

Including Removal of Debris but always excluding clean up and containment of seeping and polluting substances and for an additional USD 1,000,000 limit, subject to a deductible of USD 100,000 any one accident or occurrence.

Deductible 5% of value subject minimum USD 50,000 each accident or occurrence. Subject to Annual Aggregate Deductible as Section 1.

Property and/or equipment insured hereunder whilst stored, in transit or otherwise, also subject Institute Cargo Clauses (A) 1/1/82 Cl.252, Institute Cargo Clauses (Air) 1/1/82 Cl.259 and Institute Strikes Clauses (Cargo) 1/1/82 Cl.256 to extent not restricting coverage otherwise afforded herein, with English law and practice deleted on all clauses. Deductible as above.

Institute War Clauses (Cargo) 1/1/82 Cl.255 without deductible.

Notice period in respect of war and terrorism amended to 48 hours.

Confiscation and Expropriation wording LPO 324 (8/71) including Nationalisation and Deprivation Clauses to be agreed.

Section 3

As per WELCAR2001 wording with following amendments:

Named Assured hereon covered Principal Assured.

Clause 9, Sue and Labour Clause: "25% of the scheduled value" amended to "25%" of the Full Contract Value.

Clause 11, Removal of Wreck, Wreckage and/or Debris: "25%" amended to USD 1,000,000 any one accident or occurrence.

Clause 12, Tests, Leak and/or Damage Search Costs : (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

Clause 13, Stand-by Charges : (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

Clause 17, Forwarding Charges : (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

Discovery 12 months.

Including Endorsement 1 - Defective Part Exclusion Buy-Back at rate as may be agreed each declaration.

Excluding faulty welds as per wording.

Agree provide Seepage and Pollution cover hereunder in respect of Assured's Builders Risks projects as required subject prompt advice to Underwriters and for limit up to USD 20,000,000 each occurrence per project as declared and agreed each declaration by Underwriters.

This section is to be primary to any other insurance purchased by the Assured in respect of projects as declared where full contract value is covered hereunder only.

Including Nationalisation and Deprivation and Terrorist Risk Wording LPO 437 (4/82) to be agreed subject to paragraph below .

In respect of War, Strikes & Political Risks.

Notwithstanding anything contained herein the coverages included above in respect of property insured hereunder is included in coverage hereunder until the completion and acceptance by the Assured's client of the project, including pipelines and associated equipment whilst being laid and work to/onboard any fixed or floating platform, other than in respect of property/equipment fixed onland, on a fixed structure or on the sea-bed for which coverage is held covered subject to the attached War Direct Physical Damage Wording and subject to the attached War Direct Physical Damage Wording LSW667 (Modified) as attached subject to an aggregate limit in respect of any one country (being the Full Contract Value of the project but always subject to an overall aggregate limit of USD 10,000,000 any one country) subject to advice to Underwriters prior to project commencement and subject to Additional Premium at rate to be agreed by Underwriters.

Notice period in respect of war and terrorism amended to 48 hours.

General Conditions (in respect of All Sections)

Paramount Deductible Clause (applicable to Sections 1 and 2 only).

Preferred Attorneys, Adjusters, Surveyors schedules as attached.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

Cross Liability Clause as required by contract.

Deliberate Damage Clause.

Institute Radioactive Contamination Exclusion Clause 1/10/90 CI.356 dated 1st October 1990 including USA Endorsement dated 13th March 1991.

Other than Owners Limitation Clause deleted where required by written contract.

It is understood and agreed that where required by contract, bid or work order, Additional Assured and/or Waivers of Rights of Subrogation are automatically included hereunder, subject further to Notice Clauses as may be required by written contract only and that coverage provided hereunder shall be primary in respect of any coverage carried by said additional assureds where required by written contract.

Including in addition Salvage, Salvage Charges, Sue and Labour and General Average payable in full irrespective of contributory value.

Conflicting Conditions Clause.

LSW 1001 Several Liability Notice.

Institute Service of Suit Clause (USA) 1/11/92 CI.355.

Additional Vessels Clause.

Privilege to Charter Clause.

Seaworthiness Admitted.

Liberty to tow or be towed.

Unintentional Errors and Omissions in Reporting Clause.

Port of Refuge Expenses Clause.

Assignment and/or Mortgagees and/or Loss Payable Clause, as agreed by Underwriters.

Permission for crew to effect repairs, with those costs directly related to insured losses to be included in any claim, subject to approval of underwriters adjuster/surveyor.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

Including Protective Co-Insurance Clauses and Loss Payees as agreed by Underwriters.

Permission granted to engage in any legal trade including carriage of explosives which warranted carried in accordance with IMO Coastguard regulations.

Agree 2% allowance on Hull/Increased Value premiums in respect of survey fees on an actual incurred basis, subject invoices.

Direct or Reinsurance as agreed.

Oil Pollution Act Disclaimer Clause.

Subject U.S. Jurisdiction & Law and Practice.

LSW 3000 (65 days)

Full wording to be agreed by 2 Leading Underwriters.

Agree allow 20% No Claims Bonus hereon, based on net premiums paid, collectable at expiry, subject no paid claims hereon in respect of the following security only:

Section 1A, 1B, 2A and 2B:

Underwriters at Lloyd's Syndicate No. 1183
Underwriters at Lloyd's Syndicate No. 382
Continental Insurance Company via Marine Office of America
Various Underwriters via Gulf Coast Marine

Subject full operational review by Global Maritime, with scope of review to be agreed within 90 days of attachment, and subject all recommendations complied with.

PREMIUM: As per worksheet attached.

ORDER:

Section 1	100%
Section 2	100%
Section 3	63.5%

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.
ANNUAL WORKSHEET

Section 1 - Hulls/Disbursements etc.**Vessels**

As per worksheets attached	Hull	=	USD 2,863,267
	I.V.	=	USD 323,438
War/Terrorism as attached		=	USD 158,063

Section 2 - Equipment/Property

A) USD 20,000,000 (provisional)	@ 0.8606%	=	USD 172,120
B) USD 10,000,000 (provisional)	@ 0.8606%	=	USD 86,060
War/Terrorism as attached schedule		=	USD 21,000

Total	=	<u>USD 3,623,948</u>
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Including 2.5% prompt payment credit if premiums are paid to Underwriters within 65 days of inception	=	<u>USD 3,533,349</u>
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Section 3 - Builders Risks

- A) As per rating/deductible schedule attached. As declared
- B) Additional Premium in respect of this section to be USD 3,000,000 net absolute payable quarterly, in lieu of an additional annual aggregate deductible. Underwriters to retain/earn a minimum premium of USD 2,000,000 net absolute returning USD 1,000,000 net absolute to the Assured, with such return to reduce dollar for dollar if claims exceed USD 2,000,000 up to and/or exceeding USD 3,000,000.
- Premium developed from any declarations made hereon to be in addition.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 - HULL AND MACHINERY WORKSHEET

VESSEL	HULL USD	HULL RATE	HULL PREMIUM USD
AMERICAN HORIZON	8,000,000	1.72922%	138,338
ATLANTIC HORIZON	17,000,000	1.68013%	285,622
BRAZOS HORIZON	8,000,000	1.89656%	151,725
CAJUN HORIZON	5,600,000	3.13268%	175,430
CANYON HORIZON	19,200,000	1.39453%	267,750
GULF HORIZON	15,200,000	1.55295%	236,048
*HORIZON MB100	2,400,000	2.78906%	66,937
LONE STAR HORIZON	19,200,000	1.42577%	273,748
PACIFIC HORIZON	24,000,000	1.43023%	343,255
PEARL HORIZON	6,400,000	2.27588%	145,656
PECOS HORIZON	16,000,000	1.48538%	237,661
PHOENIX HORIZON	12,000,000	1.82739%	219,287
SEA HORIZON	20,000,000	1.60905%	321,810
STEPHANITURM*	15,200,000	1.63774%	-
	188,100,000		2,863,267

* On long term charter – to attach with effect from date to be agreed Leading Underwriters.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 - DISBURSEMENTS WORKSHEET

VESSEL	INCREASED VALUE USD	IV RATE	IV PREMIUM USD
AMERICAN HORIZON	2,000,000	0.75000%	15,000
ATLANTIC HORIZON	4,125,000	0.75000%	30,938
BRAZOS HORIZON	2,000,000	0.75000%	15,000
CAJUN HORIZON	1,400,000	0.75000%	10,500
CANYON HORIZON	4,800,000	0.75000%	36,000
GULF HORIZON	3,800,000	0.75000%	28,500
HORIZON MB100	600,000	0.75000%	4,500
LONE STAR HORIZON	4,800,000	0.75000%	36,000
PACIFIC HORIZON	6,000,000	0.75000%	45,000
PEARL HORIZON	1,600,000	0.75000%	12,000
PECOS HORIZON	4,000,000	0.75000%	30,000
PHOENIX HORIZON	3,000,000	0.75000%	22,500
SEA HORIZON	5,000,000	0.75000%	37,500
STEPHANITURM*	3,800,000	0.75000%	-
	47,025,000		323,438

*On long term charter – to attach with effect from date to be agreed Leading Underwriters.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 – WAR/TERRORISM ETC. WORKSHEET

<u>Vessel</u>	<u>Agreed Value</u>	<u>War etc. Rate</u>	<u>War Premium</u>	
American Horizon	USD 10,000,000	0.05%	USD 5,000	Gulf of Mexico
Atlantic Horizon	USD 21,125,000	0.05%	USD 10,563	Gulf of Mexico
Brazos Horizon	USD 10,000,000	0.05%	USD 5,000	Gulf of Mexico
Cajun Horizon	USD 7,000,000	0.05%	USD 3,500	Gulf of Mexico
Canyon Horizon	USD 24,000,000	0.05%	USD 12,000	Gulf of Mexico
Gulf Horizon	USD 19,000,000	0.05%	USD 9,500	Ecuador
Horizon MB100	USD 3,000,000	0.05%	USD 1,500	Gulf of Mexico
Lone Star Horizon	USD 24,000,000	0.05%	USD 12,000	Gulf of Mexico
Pacific Horizon	USD 30,000,000	0.05%	USD 15,000	Gulf of Mexico
Pearl Horizon	USD 8,000,000	0.05%	USD 4,000	Gulf of Mexico
Pecos Horizon	USD 20,000,000	0.05%	USD 10,000	Gulf of Mexico
Phoenix Horizon	USD 15,000,000	0.05%	USD 7,500	Gulf of Mexico
Sea Horizon	USD 25,000,000	0.25%	USD 62,500	Indonesia
Stephaniturn*	USD 19,000,000	0.05%	NIL	North Sea
			<u>USD158,063</u>	

* On long term charter

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.

SECTION 2 - PROPERTY/EQUIPMENT

To Be Confirmed/Agreed

Section A (Provisional)

2500 City West Boulevard, Houston, Texas	USD20,000,000
Sabine Pass Facility, Texas	
To be advised, Ciudad del Carmen, Mexico	
Port Arthur Yard Facility, Port Arthur, Louisiana	
24 Festival Road, Victoria Island, Lagos, Nigeria	
Singapore/Jakarta, South East Asia	

Section B (Provisional)

Miscellaneous Equipment	USD10,000,000
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TOTAL	USD30,000,000
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War /Terrorism Schedule

USD 27,000,000	0.05%	USD 13,500
USD 3,000,000 (Indonesia)	0.25%	USD 7,500
		<u>USD 21,000</u>

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

HORIZON OFFSHORE CONTRACTORS, INC.

SECTION 3 – BUILDERS RISKS

Subject that all contracts with an Estimated Final Contract Value of greater than USD 2,000,000 are to be declared hereon.

PIPELINE PROJECTS

Not exceeding 18" pipe and 500' of water:

Estimated Contract Value up to USD 5,000,000	2.25% on Final Contract Value.
Estimated Contract Value in excess of USD 5,000,000	3.00% on Final Contract Value.

Not exceeding 24" pipe and 500' of water:

Estimated Contract Value up to USD 5,000,000	2.70% on Final Contract Value.
Estimated Contract Value in excess of USD 5,000,000	3.60% on Final Contract Value.

Excess of 24" pipe and/or 500' of water:	To Be Agreed.
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NON PIPELINE PROJECTS

1.875% on Final Contract Value

DEDUCTIBLES (ACROSS ALL PROJECTS)

USD 2,500,000 any one accident or occurrence.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

SECTION 3 – Scope of Work

As follows each declaration or as may be agreed by Leading Underwriters:

The scope of Marine Warranty Survey work will require the Warranty Surveyor to assess the following items for a pipeline installation or to be agreed:

1. **Transportation of Pipe**
Review and approve and/or attend:
Barge and Tug suitability survey (sometime "waived", or nominally surveyed when the particular barge is known to the Warranty Surveyor)
Barge stability and bollard pull requirement
Barge ballast arrangement and longitudinal strength (waived when adequacy of barge strength is obvious).
Sea-fastening design
Pipe loading and uploading
Pipe barge sailaway
2. **Pipelaying procedures**
Review and approve:
Weather monitoring
Pipe coat specification
Mooring of barge
Pipe tension versus water depth for a specific diameter of pipe
Shut down based on limiting sea state
3. **Pipe Laying**
Attendance:
Warranty Surveyor mariners may attend a few of the following operations (depending on size and scope of job):
 - a) Shore Pull
 - b) Normal pipe lay
 - c) Tie-in
 - d) Trenching
 - e) Pipeline crossing
 - f) Other critical operations

To be agreed James Miller (Zurich Specialties London Limited)

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

Named Assured Clause

Horizon Offshore, Inc.

Horizon Offshore Contractors, Inc.

Horizon Vessels, Inc.

Horizon Offshore Contractors Ltd.

Horizon Offshore International Ltd.

Horizon Offshore (Nigeria) Ltd.

Horizon Group LDC

Elliott Associates, L.P. or Affiliates

Westgate International, L.P. and Affiliates

Horizon/Cal Dive Joint Venture (TBA)

ECH Offshore S.A. de R.L. de C.V.

HOC Offshore S.A. de R. L. de C.V.

HorizEn L.L.C.

Tiburón S.A. de R. L. de C.V.

Horizon Vessels International Ltd.

PT Horizon Marine Construction Indonesia

Inactive and Former Entities

Horizon Marine International, Inc.

Horizon Offshore, L.L.C.

HLS Offshore L.L.C. dba HLS International Companies

Highwood Associates, Inc.

HLS Offshore Inc.

Horizon Subsea Services, Inc.

DSND Horizon L.L.C.

or as their interests may appear and their affiliated, subsidiary and interrelated companies, and/or co-venturers and/or operators as charterer as may now, heretofore or hereafter exist and having an interest hereunder at the time of happening of any loss, as their respective rights and interests do appear and/or any executive

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

officer, employee, director or stockholder thereof while acting within the scope and/or course of their duties as such and/or as expiring and/or as may be agreed.

CIT Group/Equipment Financing, Inc. as Mortgagees are named hereon as additional insureds and loss payees as their interests may appear, subject to Loss Payable Clause as expiring.

GMAC Business Credit, LLC its successors and/or assigns are added as loss payees hereon in respect of vessel "Sea Horizon".

General Electric Capital Corp. are added as loss payees hereon in respect of vessel "Pecos Horizon".

LOSS PAYABLE CLAUSE

HULL AND MACHINERY AND WAR RISKS

Loss, if any, payable to The CIT Group/Equipment Financing, Inc., as Agent for the Lenders named in the Loan Agreement dated as of December 30, 1998 (The "Agent") for distribution by it to itself and to Horizon Vessels, Inc. (the "Owner"), as their respective interests may appear, or order, except that, unless Underwriters have been otherwise instructed by notice in writing from the Agent, in the case of any loss involving any damage to any Vessel or liability of any Vessel the Underwriters may pay directly for the repair, salvage, liability or other charges involved, or if the Owner or bareboat charterers of any Vessel shall have first fully repaired the damage and paid the cost thereof, or discharged the liability or paid all of the salvage or other charges, then Underwriters may pay the Owners as reimbursement therefore, provided, however, that if such damage, involves a loss in excess of USD 500,000 or its equivalent, then the Underwriters shall not make such payment without first obtaining the written consent of the Agent.

In the event of the actual or constructive total loss or a compromised or arranged total loss or requisition of title, all insurance payment therefore shall be paid to the Agent for distribution by it in accordance with the terms of the U.S. First Preferred Fleet Mortgage, the First Preferred Vanuatu Fleet Mortgage or the Bahamas Statutory Mortgage and Deed of Covenants relating to the Vessel or Vessels in question.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

CHEVRON INDEMNITY CLAUSE

It is hereby noted and agreed that in respect of Assured's operations with CHEVRON USA INC. the deductible(s) are amended to \$25,000 any one accident or occurrence subject Assured indemnifying Underwriters hereon at the time of settlement, for the difference between the above amount and the previously agreed deductibles hereon in the event of a claim.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

SECTION 1 – HULL & MACHINERY,
INCREASED VALUE
AND WAR RISKS, ETC.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246**American Institute Hull Clauses**
(June 2, 1977)**SECTION 1A**To be attached to and form a part of Policy No. ARS-3246 of the AS PER COVER NOTE

The terms and conditions of the following clauses are to be regarded as substituted for those of the Policy form to which they are attached, the latter being hereby waived, except provisions required by law to be inserted in the Policy. All captions are inserted only for purposes of reference and shall not be used to interpret the clauses to which they apply.

ASSUREDThis Policy insures PER DECLARATIONSherein after referred to as the **ASSURED**.

If claim is made under this Policy by anyone other than the Owner of the Vessel, such person shall not be entitled to recover to a greater extent than would the Owner, had claim been made by the Owner as an Assured named in this Policy.

Underwriters waive any right of subrogation against affiliated, subsidiary or interrelated companies of the Assured, provided that such waiver shall not apply in the event of a collision between the Vessel and any vessel owned, demise chartered or otherwise controlled by any of the aforesaid companies, or with respect to any loss, damage or expense against which such companies are insured.

LOSS PAYEELoss, if any, payable to ASSURED AND/

or order.

Provided, however, Underwriters shall pay claims to others as set forth in the Collision Liability clause and may make direct payment to persons providing security for the release of the Vessel in Salvage cases.

VESSEL

The Subject Matter of this insurance is the Vessel called the PER SCHEDULE or by whatsoever name or names the said Vessel is or shall be called, which for purposes of this insurance shall consist of and be limited to her hull, launches, lifeboats, rafts, furniture, bunkers, stores, supplies, tackle, fittings, equipment, apparatus, machinery, boilers, refrigerating machinery, insulation, motor generators and other electrical machinery.

In the event any equipment or apparatus not owned by the Assured is installed for use on board the Vessel and the Assured has assumed responsibility therefor, it shall also be considered part of the Subject Matter and the aggregate value thereof shall be included in the Agreed Value.

Notwithstanding the foregoing, cargo containers, barges and lighters shall not be considered a part of the Subject Matter of this insurance.

DURATION OF RISKFrom the PER DECLARATIONS day of PER DECLARATIONS 19PER DECLARATIONS timeTo the PER DECLARATIONS day of PER DECLARATIONS 19PER DECLARATIONS time.

Should the Vessel at the expiration of this Policy be at sea, or in distress, or at a port of refuge or of call, she shall, provided previous notice be given to the Underwriters, be held covered at a pro-rata monthly premium to her port of destination.

In the event of payment by the Underwriters for Total Loss of the Vessel this Policy shall thereupon automatically terminate.

AGREED VALUE

The Vessel, for so much as concerns the Assured, by agreement between the Assured and the Underwriters in this Policy, is and shall be valued at

PER DECLARATIONS Dollars.**AMOUNT INSURED HEREUNDER**PER DECLARATIONS Dollars.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246**DEDUCTIBLE**

Notwithstanding anything in this Policy to the contrary, there shall be deducted from the aggregate of all claims (including claims under the Sue and Labor clause and claims under the Collision Liability clause) arising out of each separate accident, the sum of \$PER DECLARATIONS, unless the accident results in a Total Loss of the Vessel in which case this clause shall not apply. A recovery from other interests, however, shall not operate to exclude claims under this Policy provided the aggregate of such claims arising out of one separate accident if unreduced by such recovery exceeds that sum. For the purpose of this clause each accident shall be treated separately, but it is agreed that (a) a sequence of damages arising from the same accident shall be treated as due to that accident and (b) all heavy weather damage, or damage caused by contact with floating ice, which occurs during a single sea passage between two successive ports shall be treated as though due to one accident.

PREMIUM

The Underwriters to be paid in consideration of this insurance PER DECLARATIONS Dollars being at the annual rate of PER DECLARATIONS per cent, which premium shall be due on attachment. If the Vessel is insured under this Policy for a period of less than one year at pro rata of the annual rate, full annual premium shall be considered earned and immediately due and payable in the event of Total Loss of the Vessel.

RETURNS OF PREMIUM

Premium returnable as follows:

- Pro rata daily net in the event of termination under the Change of Ownership clause;
 - Pro rata monthly net for each uncommenced month if it be mutually agreed to cancel this Policy;
 - For each period of 30 consecutive days the Vessel may be laid up in port for account of the Assured,
 - PER FORM cents per cent, net not under repair, or
 - PER FORM cents per cent, net under repair;
- provided always that
- (a) a Total Loss of the Vessel has not occurred during the currency of this Policy;
 - (b) in no case shall a return for lay-up be allowed when the Vessel is lying in exposed or unprotected waters or in any location not approved by the Underwriters.
 - (c) in the event of any amendment of the annual rate, the above rates of return shall be adjusted accordingly;
 - (d) in no case shall a return be allowed when the Vessel is used as a storage ship or for lightering purposes.
- If the Vessel is laid up for a period of 30 consecutive days, a part only of which attaches under this Policy, the Underwriters shall pay such proportion of the return due in respect of a full period of 30 days as the number of days attaching hereto bears to 30. Should the lay-up period exceed 30 consecutive days, the Assured shall have the option to elect the period of 30 consecutive days for which a return is recoverable.

NON-PAYMENT OF PREMIUM

In event of non-payment of premium 30 days after attachment, or of any additional premium when due, this Policy may be cancelled by the Underwriters upon 10 days written or telegraphic notice sent to the Assured at his last known address or in care of the broker who negotiated this Policy. Such proportion of the premium, however, as shall have been earned up to the time of cancellation shall be payable. In the event of Total Loss of the Vessel occurring prior to any cancellation or termination of this Policy full annual premium shall be considered earned.

ADVENTURE

Beginning the adventure upon the Vessel, as above, and so shall continue and endure during the period aforesaid, as employment may offer, in port or at sea, in docks and graving docks, and on ways, gridirons and pontoons, at all times, in all places, and on all occasions, services and trades; with leave to sail or navigate with or without pilots, to go on trial trips and to assist and tow vessels or crafts in distress, but the Vessel may not be towed, except as is customary or when in need of assistance, nor shall the Vessel render assistance or undertake towage or salvage services under contract previously arranged by the Assured, the Owners, the Managers or the Charterers of the Vessel, nor shall the Vessel, in course of trading operations, engage in loading or discharging cargo at sea, from or into another vessel other than a barge, lighter or similar craft used principally in harbors or inland waters. The phrase 'engage in loading or discharging cargo at sea' shall include while approaching, leaving or alongside, or while another vessel is approaching, leaving or alongside the Vessel.

The Vessel is held covered in case of any breach of conditions as to cargo, trade, locality, towage or salvage activities, or date of sailing, or loading or discharging cargo at sea, provided (a) notice is given to the Underwriters immediately following receipt of knowledge thereof by the Assured, and (b) any amended terms of cover and any additional premium required by the Underwriters are agreed to by the Assured.

PERILS

Touching the Adventures and Perils which the Underwriters are contented to bear and take upon themselves, they are of the Seas, Men-of-War, Fire, Lightning, Earthquake, Enemies, Pirates, Rovers, Assailing Thieves, Jettisons, Letters of Mart and Counter-Mart, Surprisals, Takings at Sea, Arrests, Restraints and Detainments of all Kings, Princes and Peoples, of what nation, condition or quality soever, Barratry of the Master and Mariners and of all other like Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the Vessel, or any part thereof, excepting, however, such of the foregoing perils as may be excluded by provisions elsewhere in the Policy or by endorsement thereon.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246**ADDITIONAL PERILS (INCHMAREE)**

Subject to the conditions of this Policy, this insurance also covers loss of or damage to the Vessel directly caused by the following:

- Accidents in loading, discharging or handling cargo, or in bunkering;
- Accidents in going on or off, or while on drydock, graving docks, ways, griddrons or pontoons;
- Explosions on shipboard or elsewhere;
- Breakdown of motor generators or other electrical machinery and electrical connections thereto, bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull, (excluding the cost and expense of replacing or repairing the defective part);
- Breakdown of or accidents to nuclear installations or reactors not on board the insured Vessel;
- Contact with aircraft, rockets or similar missiles, or with any land conveyance;
- Negligence of Charterers and/or Repairers, provided such Charterers and/or Repairers are not an Assured hereunder;
- Negligence of Masters, Officers, Crew or Pilots;

provided such loss or damage has not resulted from want of due diligence by the Assured, the Owners or Managers of the Vessel, or any of them.
Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the Vessel.

DELIBERATE DAMAGE (POLLUTION HAZARD)

Subject to the conditions of this Policy, this insurance also covers loss of or damage to the Vessel directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard, or threat thereof, resulting directly from damage to the Vessel for which the Underwriters are liable under this Policy, provided such act of governmental authorities has not resulted from want of due diligence by the Assured, the Owners, or Managers of the Vessel or any of them to prevent or mitigate such hazard or threat. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the Vessel.

CLAIMS (GENERAL PROVISIONS)

In the event of any accident or occurrence which could give rise to a claim under this Policy, prompt notice thereof shall be given to the Underwriters, and:

- (a) where practicable, the Underwriters shall be advised prior to survey, so that they may appoint their own surveyor, if they so desire;
- (b) the Underwriters shall be entitled to decide where the Vessel shall proceed for docking and/or repair (allowance to be made to the Assured for the actual additional expense of the voyage arising from compliance with the Underwriters' requirement);
- (c) the Underwriters shall have the right of veto in connection with any repair firm proposed;
- (d) the Underwriters may take tenders, or may require in writing that tenders be taken for the repair of the Vessel, in which event, upon acceptance of a tender with the approval of the Underwriters, an allowance shall be made at the rate of 30 per cent, per annum on the amount insured, for each day or pro rata for part of a day, for time lost between the issuance of invitations to tender and the acceptance of a tender, to the extent that such time is lost solely as the result of tenders having been taken and provided the tender is accepted without delay after receipt of the Underwriters' approval.

Due credit shall be given against the allowances in (b) and (d) above for any amount recovered:

- (1) in respect of fuel, stores, and wages and maintenance of the Master, Officers, or Crew allowed in General or Particular Average;
- (2) from third parties in respect of damages for detention and/or loss of profit and/or running expenses;

for the period covered by the allowances or any part thereof.

No claim shall be allowed in Particular Average for wages and maintenance of the Master, Officers or Crew, except when incurred solely for the necessary removal of the Vessel from one port to another for average repairs or for trial trips to test average repairs, in which cases wages and maintenance will be allowed only while the Vessel is under way. This exclusion shall not apply to overtime or similar extraordinary payments to the Master, Officers or Crew incurred in shifting the Vessel for tank cleaning or repairs or while specifically engaged in these activities, either in port or at sea.

General and Particular Average shall be payable without deduction, **NEW** for **OLD**.

The expense of sighting the bottom after stranding shall be paid, if reasonably incurred especially for that purpose, even if no damage be found.

No claim shall in any case be allowed in respect of scraping or painting the Vessel's bottom.

In the event of loss or damage to equipment or apparatus not owned by the Assured but installed for use on board the Vessel and for which the Assured has assumed responsibility, claim shall not exceed (1) the amount the Underwriters would pay if the Assured were owner of such equipment or apparatus, or (2) the contractual responsibility assumed by the Assured to the owners or lessors thereof, whichever shall be less.

No claim for unrepaired damages shall be allowed, except to the extent that the aggregate damage caused by perils insured against during the period of the Policy and left unrepaired at the expiration of the Policy shall be demonstrated by the Assured to have diminished the actual market value of the Vessel on that date if undamaged by such perils.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

GENERAL AVERAGE AND SALVAGE

General Average and Salvage shall be payable as provided in the contract of affreightment, or failing such provision or there be no contract of affreightment, payable at the Assured's election either in accordance with York-Antwerp Rules 1950 or 1974 or with the Laws and Usages of the Port of New York. Provided always that when an adjustment according to the laws and usages of the port of destination is properly demanded by the owners of the cargo, General Average shall be paid accordingly.

In the event of salvage, towage or other assistance being rendered to the Vessel by any vessel belonging in part or in whole to the same Owners or Charterers, the value of such services (without regard to the common ownership or control of the vessels) shall be ascertained by arbitration in the manner provided for under the Collision Liability clause in this Policy, and the amount so awarded so far as applicable to the interest hereby insured shall constitute a charge under this Policy.

When the contributory value of the Vessel is greater than the Agreed Value herein, the liability of the Underwriters, for General Average contribution (except in respect to amounts made good to the Vessel), or Salvage, shall not exceed that proportion of the total contribution due from the Vessel which the amount insured hereunder bears to the contributory value, and if, because of damage for which the Underwriters are liable as Particular Average, the value of the Vessel has been reduced for the purpose of contribution, the amount of such Particular Average damage recoverable under this Policy shall first be deducted from the amount insured hereunder, and the Underwriters shall then be liable only for the proportion which such net amount bears to the contributory value.

TOTAL LOSS

In ascertaining whether the Vessel is a constructive Total Loss the Agreed Value shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the Vessel or wreck shall be taken into account.

There shall be no recovery for a constructive Total Loss hereunder unless the expense of recovering and repairing the Vessel would exceed the Agreed Value. In making this determination, only expenses incurred or to be incurred by reason of a single accident or a sequence of damages arising from the same accident shall be taken into account, but expenses incurred prior to tender of abandonment shall not be considered if such are to be claimed separately under the Sue and Labor clause.

In the event of Total Loss (actual or constructive), no claim to be made by the Underwriters for freight, whether notice of abandonment has been given or not.

In no case shall the Underwriters be liable for unrepaired damage in addition to a subsequent Total Loss sustained during the period covered by this Policy.

SUE AND LABOR

And in case of any Loss or Misfortune, it shall be lawful and necessary for the Assured, their Factors, Servants and Assigns, to sue, labor and travel for, in, and about the defense, safeguard and recovery of the Vessel, or any part thereof, without prejudice to this insurance, to the charges whereof the Underwriters will contribute their proportion as provided below. And it is expressly declared and agreed that no acts of the Underwriters or Assured in recovering, saving or preserving the Vessel shall be considered as a waiver or acceptance of abandonment.

In the event of expenditure under the Sue and Labor clause, the Underwriters shall pay the proportion of such expenses that the amount insured hereunder bears to the Agreed Value, or that the amount insured hereunder (less loss and/or damage payable under this Policy) bears to the actual value of the salvaged property, whichever proportion shall be less; provided always that their liability for such expenses shall not exceed their proportionate part of the Agreed Value.

If claims for Total Loss is admitted under this Policy and sue and labor expenses have been reasonably incurred in excess of any proceeds realized or value recovered, the amount payable under this Policy will be the proportion of such excess that the amount insured hereunder (without deduction for loss or damage) bears to the Agreed Value or to the sound value of the Vessel at the time of accident, whichever value was greater; provided always that Underwriters' liability for such expenses shall not exceed their proportionate part of the Agreed Value. The foregoing shall also apply to expenses reasonably incurred in salvaging or attempting to save the Vessel and other property to the extent that such expenses shall be regarded as having been incurred in respect of the Vessel.

COLLISION LIABILITY

~~And it is further agreed that:~~

~~(a) if the Vessel shall come into collision with any other ship or vessel, and the Assured or the Surety in consequence of the Vessel being at fault shall become liable to pay and shall pay by way of damages to any other person or persons any sum or sums in respect of such collision, the Underwriters will pay the Assured or the Surety, whichever shall have paid, such proportion of such sum or sums so paid as their respective subscriptions hereto bear to the Agreed Value, provided always that their liability in respect to any one such collision shall not exceed their proportionate part of the Agreed Value;~~

~~(b) in cases where, with the consent in writing of a majority (in amount) of Hull Underwriters, the liability of the Vessel has been contested, or proceedings have been taken to limit liability, the Underwriters will also pay a like proportion of the costs which the Assured shall thereby incur or be compelled to pay.~~

~~When both vessels are to blame, then, unless the liability of the owners or charterers of one or both such vessels becomes limited by law, claims under the Collision Liability clause shall be settled on the principle of Cross Liabilities as if the owners or charterers of each vessel had been compelled~~

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

to pay to the owners or charterers of the other of such vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such collision.

~~The principles involved in this clause shall apply to the case where both vessels are the property, in part or in whole, of the same owners or charterers, all questions of responsibility and amount of liability as between the two vessels being left to the decision of a single Arbitrator. If the parties can agree upon a single Arbitrator, or failing such agreement, to the decision of Arbitrators, one to be appointed by the Assured and one to be appointed by the majority (in amount) of Hull Underwriters interested; the two Arbitrators chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single Arbitrator, or of any two of such three Arbitrators, appointed as above, to be final and binding.~~

~~Provided always that this clause shall in no case extend to any sum which the Assured or Surety may become liable to pay or shall pay in consequence of, or with respect to:~~

- ~~(a) removal or disposal of obstructions, wrecks or their cargoes under statutory powers or otherwise pursuant to law;~~
- ~~(b) injury to real or personal property of every description;~~
- ~~(c) the discharge, spillage, emission or leakage of oil, petroleum products, chemicals or other substances of any kind or description whatsoever;~~
- ~~(d) cargo or other property on or the engagement of the Vessel;~~
- ~~(e) loss of life, personal injury or illness.~~

~~Provided further that exclusions (b) and (e) above shall not apply to injury to other vessels or property thereon except to the extent that such injury arises out of any action taken to avoid, minimize or remove any discharge, spillage, emission or leakage described in (c) above.~~

PILOTAGE AND TOWAGE

This insurance shall not be prejudiced by reason of any contract limiting in whole or in part the liability of pilots, tugs, towboats, or their owners when the Assured or the agent of the Assured accepts such contract in accordance with established local practice.

Where in accordance with such practice, pilotage or towage services are provided under contracts requiring the Assured or the agent of the Assured;

- (a) to assume liability for damage resulting from collision of the Vessel insured with any other ship or vessel, including the towing vessel, or
- (b) to indemnify those providing the pilotage or towage services against loss or liability for any such damages,

it is agreed that amounts paid by the Assured or Surety pursuant to such assumed obligations shall be deemed payments 'by way of damages to any other person or persons' and to have been paid 'in consequence of the Vessel being at fault' within the meaning of the Collision Liability clause in this Policy to the extent that such payments would have been covered if the Vessel had been legally responsible in the absence of any agreement. Provided always that in no event shall the aggregate amount of liability of the Underwriters under the Collision Liability clause, including this clause, be greater than the amount of any statutory limitation of liability to which owners are entitled or would be entitled if liability under any contractual obligation referred to in this clause were included among the liabilities subject to such statutory limitations.

CHANGE OF OWNERSHIP

In the event of any change, voluntary or otherwise, in the ownership or flag of the Vessel, or if the Vessel be placed under new management, or be chartered on a bareboat basis or requisitioned on that basis, or if the Classification Society of the Vessel or her class therein be changed, cancelled or withdrawn, then, unless the Underwriters agree thereto in writing, this Policy shall automatically terminate at the time of such change of ownership, flag, management, charter, requisition or classification; provided, however, that:

- (a) if the Vessel has cargo on board and has already sailed from her loading port, or is at sea in ballast, such automatic termination shall, if required, be deferred until arrival at final port of discharge if with cargo, or at port of destination if in ballast;
- (b) or in the event of an involuntary temporary transfer by requisition or otherwise, without the prior execution of a written agreement by the Assured, such automatic termination shall occur fifteen days after such transfer.

This insurance shall not inure to the benefit of any transferee or charterer of the Vessel and, if a loss payable hereunder should occur between the time of change or transfer and any deferred automatic termination, the Underwriters shall be subrogated to all of the rights of the Assured against the transferee or charterer in respect of all or part of such loss as is recoverable from the transferee or charterer, and in the proportion which the amount insured hereunder bears to the Agreed Value.

The term "new management" as used above refers only to the transfer of the management of the Vessel from one firm or corporation to another, and it shall not apply to any internal changes within the offices of the Assured.

ADDITIONAL INSURANCES

It is a condition of this Policy that no additional insurance against the risk of Total Loss of the Vessel shall be effected to operate during the currency of this Policy by or for account of the Assured, Owners, Managers, Operators or Mortgagees except on the interests and up to the amounts enumerated in the following Sections (a) to (g), inclusive, and no such insurance shall be subject to P.P.I., F.I.A. or other like term on any interests whatever excepting those enumerated in Section (a); provided always and notwithstanding the limitation on recovery in the Assured clause a breach of this condition shall not afford the Underwriters any defense to a claim by a Mortgagee who has accepted this Policy without knowledge of such breach:

- (a) DISBURSEMENTS, MANAGERS' COMMISSIONS, PROFITS OR EXCESS OR INCREASED VALUE OF HULL AND MACHINERY, AND/OR SIMILAR INTERESTS HOWEVER DESCRIBED, AND FREIGHT (INCLUDING CHARTERED FREIGHT OR ANTICIPATED FREIGHT) INSURED FOR TIME. An amount not exceeding in the aggregate 25% of the Agreed Value.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

- (b) **FREIGHT OR HIRE UNDER CONTRACTS FOR VOYAGE.** An amount not exceeding the gross freight or hire for the current cargo passage and next succeeding cargo passage (such insurance to include, if required, a preliminary and an intermediate ballast passage) plus the charges of insurance. In the case of a voyage charter where payment is made on a time basis, the amount shall be calculated on the estimated duration of the voyage, subject to the limitation of two cargo passages as laid down herein. Any amount permitted under this Section shall be reduced, as the freight or hire is earned, by the gross amount so earned. Any freight or hire to be earned under the form of Charters described in (d) below shall not be permitted under this Section (b) if any part thereof is insured as permitted under said Section (d). 218-223
- (c) **ANTICIPATED FREIGHT IF THE VESSEL SAILS IN BALLAST AND NOT UNDER CHARTER.** An amount not exceeding the anticipated gross freight on next cargo passage, such amount to be reasonably estimated on the basis of the current rate of freight at time of insurance, plus the charges of insurance. Provided, however, that no insurance shall be permitted by this Section if any insurance is effected as permitted under Section (b). 224-226
- (d) **TIME CHARTER HIRE OR CHARTER HIRE FOR SERIES OF VOYAGES.** An amount not exceeding 50% of the gross hire which is to be earned under the charter in a period not exceeding 18 months. Any amount permitted under this Section shall be reduced as the hire is earned under the charter by 50% of the gross amount so earned but, where the charter is for a period exceeding 18 months, the amount insured need not be reduced while it does not exceed 50% of the gross hire still to be earned under the charter. An insurance permitted by this Section may begin on the signing of the charter. 227-231
- (e) **PREMIUMS.** An amount not exceeding the actual premiums of all interest insured for a period not exceeding 12 months (excluding premiums insured as permitted under the foregoing Sections but including, if required, the premium or estimated calls on any Protection and Indemnity or War Risks and Strikes Insurance) reducing pro rata monthly. 232-234
- (f) **RETURNS OF PREMIUM.** An amount not exceeding the actual returns which are recoverable subject to "and arrival" or equivalent provision under any policy of insurance. 235-236
- (g) **INSURANCE IRRESPECTIVE OF AMOUNT AGAINST:-** Risks excluded by War, Strikes and Related Exclusions clause; risks enumerated in the American Institute War Risks and Strikes Clauses; and General Average and Salvage Disbursements. 237-238

WAR STRIKES AND RELATED EXCLUSIONS

The following conditions shall be paramount and shall supersede and nullify any contrary provisions of the Policy. 239

This Policy does not cover any loss, damage or expense caused by, resulting from, or incurred as a consequence of: 240

- (a) Capture, seizure, arrest, restraint or detainment, or any attempt thereof; or 241
- (b) Any taking of the Vessel, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; or 242
- (c) Any mine, bomb or torpedo not carried as cargo on board the Vessel; or 243
- (d) Any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; or 244
- (e) Civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy; or 245
- (f) Strikes, lockouts, political or labor disturbances, civil commotions, riots, martial law, military or usurped power; or 246
- (g) Malicious acts or vandalism, unless committed by the Master or Mariners and not excluded elsewhere under this War Strikes and Related Exclusions clause; or 247-248
- (h) Hostilities or warlike operations (whether there be a declaration of war or not) but this subparagraph (h) not to exclude collision or contact with aircraft, rockets or similar missiles, or with any fixed or floating object, or stranding, heavy weather, fire or explosion unless caused directly by a hostile act by or against a belligerent power which act is independent of the nature of the voyage or service which the Vessel concerned or, in the case of a collision, any other vessel involved therein, is performing. As used herein, "power" includes any authority maintaining, naval, military or air forces in association with a power. 249-253

If war risks or other risks excluded by this clause are hereafter insured by endorsement on this Policy, such endorsement shall supersede the above conditions only to the extent that the terms of such endorsement are inconsistent therewith and only while such endorsement remains in force. 254-255

CLA1B

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

SECTION 1A

LINES 78-111 ONLY

American Institute
TUG FORM
(August 1, 1976)

53R-1

COLLISION AND TOWER'S LIABILITY

And it is agreed that:

- (a) if the Vessel hereby insured shall come into collision with any other vessel, craft or structure, floating or otherwise (including her tow); or shall strand her tow or shall cause her tow to come into collision with any other vessel, craft or structure, floating or otherwise, or shall cause any other loss or damage to her tow or to the freight thereof or to the property on board, and the Assured, or the Surety, in consequence of the insured Vessel being at fault, shall become liable to pay and shall pay by way of damages to any other person or persons any sum or sums, we, the Underwriters, will pay the Assured or the Surety, whichever shall have paid, such proportion of such sum or sums so paid as our subscriptions hereto shall bear to the value of the Vessel hereby insured, provided always that our liability in respect of any one such casualty shall not exceed our proportionate part of the value of the Vessel hereby insured.
- (b) in cases where the liability of the Vessel has been contested or proceedings have been taken to limit liability with the consent in writing, of a majority (in amount) of the Underwriters on the hull and machinery, we will also pay a like proportion of the costs which the Assured shall thereby incur or be compelled to pay.

When both vessels are to blame, then, unless the liability of the Owners of one or both of such vessels becomes limited by law, claims under the Collision and Tower's Liability clause shall be settled on the principle of Cross-Liabilities, as if the Owners of each vessel had been compelled to pay to the Owners of the other of such vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such casualty.

It is hereby further agreed that the principles involved in this clause shall apply to the case where two or more of the vessels involved are the property, in part or in whole, of the same Assured, all questions of responsibility and amount of liability as between such Vessels being left to the decision of a single Arbitrator, if the parties can agree upon a single Arbitrator, or failing such agreement, to the decision of the Arbitrators, one to be appointed by the Assured and one to be appointed by a majority (in amount) of the Underwriters on hull and machinery; the two Arbitrators so chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single Arbitrator, or of any two of such three Arbitrators, appointed as above, to be final and binding.

Provided always that this Collision and Tower's Liability clause shall in no case extend to any sum which the Assured or the Surety may become liable to pay, or shall pay:

- I. for loss, damage or expense to vessel(s) in tow owned (other than vessel(s) bareboat chartered to others), bareboat chartered, managed or operated by the Assured and/or its affiliated and/or subsidiary companies and/or corporations, and to cargo, owned by the Assured and/or its affiliated and/or subsidiary companies and/or corporations, on board vessel(s) in tow of the Vessel hereby insured; or
- II. in consequence of, with respect to, or arising out of:
 - (a) removal or disposal of obstructions, wrecks or their cargoes under statutory powers or otherwise pursuant to law;
 - (b) cargo, baggage or engagements of the insured Vessel;
 - (c) loss of life, personal injury or illness;
 - (d) the discharge, spillage, emission or leakage of oil, petroleum products, chemicals or other substances of any kind or description whatsoever.

Provided, further that Exclusion II(d) shall not apply to actual physical loss of or damage to such substances (if liability therefore is otherwise covered under the attached Policy) except to the extent that such loss or damage arises out of any action taken to avoid, minimize or remove any discharge, spillage, emission or leakage described in Exclusion II(d).

CLA230

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

GENERAL CONDITIONS – ALL SECTIONS

CROSS LIABILITY CLAUSE

In the event of claims being made by reason of Personal Injury, Property Damage etc. suffered by one Assured hereunder (including persons in the employ thereof) for which another Assured hereunder is or may be liable, then this Policy shall cover such Assured against whom a claim is made or may be made in the same manner as if separate policies had been issued to each Assured hereunder.

Nothing contained herein shall operate to increase Underwriters' Limit of Liability as set forth herein.

ATTACHED TO AND FORMING PART OF COVER NOTE NO. ARS-3246

GENERAL CONDITIONS – ALL SECTIONS
INSTITUTE SERVICE OF SUIT CLAUSE (U.S.A.)

It is agreed that in the event of the failure of the Underwriters severally subscribing this insurance (the Underwriters) to pay any amount claimed to be due hereunder, the Underwriters, at the request of the Assured, will submit to the jurisdiction of a court of competent jurisdiction within the United States of America.

Notwithstanding any provision elsewhere in this insurance relating to jurisdiction, it is agreed that the Underwriters have the right to commence an action in any court of competent jurisdiction in the United States of America, and nothing in this clause constitutes or should be understood to constitute a waiver of the Underwriters' rights to remove an action to a United States Federal District court or to seek remand therefrom or to seek a transfer of any suit to any other court of competent jurisdiction as permitted by the laws of the United States of America or any state therein.

Subject to the Underwriters' rights set forth above:

- (a) It is further agreed that the Assured may serve process upon any senior partner in the firm of:

MENDES & MOUNT (ATTORNEYS), 750 SEVENTH AVENUE, NEW YORK, N.Y. 10019-6829

and that in any suit instituted against any one of them upon this contract the Underwriters will abide by the final decision of the Court or of any Appellate Court in the event of an appeal.

- (b) The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Assured to give a written undertaking to the Assured that they will enter a general appearance upon the Underwriters' behalf in the event such a suit shall be instituted.
- (c) The right of the Assured to bring suit as provided herein shall be limited to a suit brought in its own name and for its own account. For the purpose of suit as herein provided the word Assured includes any mortgagee under a ship mortgage which is specifically named as a loss payee in this insurance and any person succeeding to the rights of any such mortgagee.
- (d) Further, pursuant to any statute of any state, territory or district of the United States of America which makes provision therefor, Underwriters hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office (the Officer), as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary hereunder arising out of this contract of insurance, and hereby designate the above-named as the person to whom the Officer is authorized to mail such process or a true copy thereof.

If this clause is attached to contract of reinsurance the terms Insurance and Assured shall mean reinsurance and Reassured respectively.

1/11/92
CL 355